

86 Ill. Adm. Code 150.310(a)(4) requires that tangible personal property that is brought into Illinois for temporary storage and subsequently transported outside this State for use must be used solely outside this State for the temporary storage exemption to apply. (This is a GIL).

November 7, 2002

Dear Xxxxx:

This letter is in response to your letter dated June 17, 2002. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/Laws/regs/part1200/>.

In your letter, you have stated and made inquiry as follows:

Pursuant to our telephone conversation, this is a follow-up letter to my letter of April 10, 2002 and your response of June 12, 2002, concerning the application of the temporary storage exemption with respect to motor vehicles purchased by lessors outside of Illinois for temporary storage in Illinois.

After receipt of your response letter, we discussed various factual situations on the phone, which are the subject of this follow-up letter. The underlying facts for this follow-up letter are as follows:

An Illinois lessor purchases motor vehicles outside of Illinois from a non-Illinois retailer for shipment to a storage lot or courtesy dealership in Illinois. At the time of purchase, a non-Illinois lessee may be indicated or no lessee may yet be indicated, but the vehicles are solely intended by the lessor for lease outside of Illinois, and are not intended nor held out for lease to Illinois lessees by the lessor. The vehicles will be temporarily held on the storage lot or at the courtesy dealership until transported outside of Illinois for lease. Neither the storage lot nor courtesy dealership will be used as a showroom or other location to display the vehicles to potential/prospective lessees. The vehicles will not be titled or registered in Illinois.

Based on our telephone conversation, and as a follow-up to your letter of June 12, 2002, please verify my understanding that the following is correct:

1. Based on the above facts, the purchase of the vehicles from a non-Illinois retailer at a location outside of Illinois for shipment to Illinois to be temporarily held at a storage lot or courtesy dealership awaiting delivery to a non-Illinois lessee are not subject to Illinois use tax.
2. Based on the above facts, the fact that the Illinois lessor may not have a designated non-Illinois lessee at the time of purchase of the vehicles will not eliminate the lessor's ability to claim the temporary storage exemption, if the vehicle is purchased solely for purposes of lease outside of Illinois.

3. Based on the above facts, as to the motor vehicles temporarily stored in Illinois for lease outside of Illinois, the ultimate transportation of the vehicles out of state for lease can take place in any fashion, such as by delivery truck, or they can be driven out of state by the lessor or lessee or their representative.

4. Based on the above facts, if the ultimate transportation of the temporarily stored vehicle to its out-of-state lease location is by driving such vehicle out of state, and the vehicle is properly titled or registered in the state of lease/use (and not in Illinois), no Illinois use tax will be due.

If, after a further review of these questions, a different response is indicated, I would respectfully request that I be notified of such a change before a General Information Letter is issued.

As we stated in our previous letter, if a motor vehicle purchased from a retailer outside Illinois is brought into the State for purposes of being transported to an out-of-State destination, or for purposes of being modified in Illinois and then returned out-of-State for use solely outside the State, the motor vehicle would qualify for the temporary storage exemption from sales tax. Therefore, statements one through four in your letter are generally correct as long as the party transporting the motor vehicle out of the State is the lessor. However, if, as you have stated could be the case in number three or number four above, the lessee takes delivery of the motor vehicle in Illinois and transports it outside the State, tax will be due. This is because the motor vehicle is being used by the lessor for rental purposes in Illinois.

Please note that Section 150.310(a)(4) requires that the tangible personal property that is brought into Illinois for temporary storage and subsequently transported outside this State for use must be used solely outside this State for the exemption to apply. Should the motor vehicles after being temporarily stored in Illinois and transported outside the State for use be returned to Illinois for use, they will be subject to tax.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Martha P. Mote
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Enc.